

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 PRS-01
IO-13 /133 W
-----017574 031140Z /21

R 021621Z FEB 78
FM AMEMBASSY LIMA
TO SECSTATE WASHDC 8535

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E.O. 11652: N/A
TAGS: EMIN ENRG PE
SUBJ: VICE-MINISTER OF ENERGY AND MINES COMMENTS ON GOLD,
ENERGY AND NEW MINISTER

REF: LIMA A-001

1. SUMMARY. DURING CALL BY DCM AND ECON OFF ON VICE-MINISTER OF ENERGY AND MINES, RICARDO SAETTONE, TO PRESENT U.S. POSITION RE UNCTAD PREPARATORY MEETING ON COPPER (REPORTED SEPTTEL), SAETTONE DISCUSSED PERUVIAN ACTIVITIES REGARDING GOLD, PETROLEUM AND RESEARCH ON ALTERNATIVE ENERGY SOURCES. HE ALSO COMMENTED ON HIS OWN CAREER PLANS AND ON NEW MINISTER OF ENERGY AND MINES SANCHEZ. END SUMMARY.

2. GOLD - SAETTONE INDICATED THAT ONE OF HIS MAJOR OBJECTIVES IN THE IMMEDIATE FUTURE IS THE PROMULGATION OF NEW LEGISLATION THAT WOULD PROVIDE INCENTIVES FOR INVESTMENT IN GOLD EXPLORATION AND EXPLOITATION. REFERRING TO THE SAN ANTONIO DE POTO PLACER DEPOSIT (REF A), SAETTONE CLAIMED THAT ITS EXPLOITATION, COMBINED WITH PRODUCTION
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OF OTHER SMALLER DEPOSITS, COULD LIFT PERU'S ANNUAL PRODUCTION FROM THE CURRENT LEVEL OF 2,000 TO 30,000 KILOS. SAETTONE INDICATED THAT SINCE GOLD PRODUCTION OF THIS SIZE WOULD ALLEVIATE SOME OF PERU'S BALANCE OF PAYMENTS PROBLEMS, THE GOP WILL BE GIVING HIGH PRIORITY ATTENTION TO THE SAN ANTONIO DEPOSIT. HE ASKED ABOUT THE EFFECT THIS INCREASE IN PRODUCTION WOULD HAVE ON

THE WORLD MARKET AND IN PARTICULAR ON THE SOVIET UNION.

3. OIL - SAETTONE WAS OPTIMISTIC REGARDING PERU'S OIL POTENTIAL ALTHOUGH HE ACKNOWLEDGED THAT PERU'S RESERVES ARE LIMITED. HE REFERRED TO OCCIDENTAL'S SUCCESS IN THE NORTH JUNGLE AND STATED THAT OXY AND THE GOP WERE ON THE VERGE OF SIGNING THE CONTRACT THAT WILL PERMIT OXY TO WORK IN BLOCK 1B (THE BLOCK ADJACENT TO OXY'S PRESENT FIELD, FORMERLY ASSIGNED TO UNION OIL). SAETTONE ADDED THAT OXY PROBABLY WILL ALSO OBTAIN THE CONTRACT WHICH IT HAS BEEN NEGOTIATING WITH THE GOP FOR SECONDARY RECOVERY IN THE OLD COASTAL FIELDS IN THE NORTH. HE NOTED THAT THERE HAD BEEN LESS INTEREST SHOWN IN SECONDARY RECOVERY OF THE LA BREA FIELDS (THE OLD IPC AREA) DUE TO PERUVIAN LEGISLATION THAT RESTRICTS OPERATION IN THESE FIELDS TO COMPANIES FROM LAFTA COUNTRIES. HE SAID THAT HE IS WORKING TO HAVE THE LAFTA CLAUSE REMOVED FROM THE PETROLEUM LEGISLATION IN ORDER TO ENABLE INTERESTED U.S. COMPANIES TO BID ON CONTRACTS IN THE LA BREA FIELDS. HE ALSO CLAIMED THAT AMIN OIL COMPANY HAD EXPRESSED INTEREST IN JUNGLE EXPLORATION. SUMMING UP, SAETTONE CLAIMED THAT BASED ON PRESENT OPERATIONS AND EXISTING KNOWLEDGE OF RESERVES PERU SHOULD BE SELF-SUFFICIENT IN PETROLEUM FROM NOW UNTIL 1990.

4. ENERGY - SAETTONE NOTED THAT IN SPITE OF OPTIMISM LIMITED OFFICIAL USE

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REGARDING PETROLEUM, HE FELT IT WAS IMPORTANT TO DEVELOP OTHER ENERGY SOURCES, PARTICULARLY SOLAR AND WIND ENERGY. HE OPINED THAT THERMO-ELECTRIC ENERGY WAS NOT THE MOST APPROPRIATE TECHNOLOGY FOR THE RURAL AREAS ON THE EASTERN SLOPES OF THE ANDES, AND THEREFORE HE WOULD LIKE TO EXAMINE THE POSSIBILITIES FOR SOLAR ENERGY IN THAT SEMI-TROPICAL REGION. SIMILARLY THE CONSTANT WINDS IN THE MOUNTAIN AREA AND ALTIPLANO MIGHT ALSO BE EXPLOITED. HE CLAIMED THAT THE BATTERIES USED TO ACCUMULATE THE ELECTRICITY GENERATED BY THE WIND OR SUN COULD BE MANUFACTURED IN PERU USING THE COUNTRY'S ABUNDANT DEPOSITS OF LEAD AND ZINC. HE EMPHASIZED THAT PERU WOULD APPRECIATE ANY ASSISTANCE THE U.S. COULD PROVIDE IN THE DEVELOPMENT OF THOSE AND OTHER ALTERNATIVE ENERGY SOURCES.

5. SAETTONE'S FUTURE PLANS AND THE NEW MINISTER - SAETTONE TOLD US THAT THE NEW MINISTER HAD ASKED HIM TO REMAIN AND THAT DESPITE THE FINANCIAL SACRIFICE HE FACED BY STAYING IN THE PUBLIC SECTOR, HE WOULD CONTINUE IN THE JOB FOR ABOUT SIX MORE MONTHS. HIS HOPE IS TO INSURE THAT THE MAJOR PROJECTS OF HIS MINISTRY (PRIMARILY THOSE

MENTIONED ABOVE) ARE WELL ON TRACK BEFORE HE LEAVES OFFICE. HE DESCRIBED THE NEW MINISTER, GENERAL JUAN SANCHEZ, AS MANAGEMENT ORIENTED AND SAID HE ENJOYED WORKING WITH HIM. HE ALSO NOTED THAT SANCHEZ IS INFLUENTIAL WITHIN THE GOP AND THUS WILL BE ABLE TO PUSH THE MINISTRY'S PROJECTS. ACCORDING TO SAETTONE THE NEW MINISTER ALLOWS HIS SUBORDINATES TO OPERATE WITH WIDE FREEDOM AND PROVIDES CONSTRUCTIVE SUGGESTIONS IN THOSE CASES WHEN HE DOES NOT AGREE COMPLETELY WITH THEIR PROJECTS AND IDEAS. SAETTONE INDICATED THAT THE MINISTER IS ALSO ORIENTED TO THE WESTERN WORLD AND FRIENDLY TO THE U.S.

6. REQUEST - IN VIEW OF SAETTONE'S REQUEST FOR POSSIBLE USG/GOP COOPERATION IN DEVELOPMENT OF ALTERNATE ENERGY LIMITED OFFICIAL USE

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SOURCES, WE WOULD APPRECIATE IF THE DEPARTMENT WOULD EXPLORE POSSIBILITY WITH DEPARTMENT OF ENERGY REGARDING TECHNICAL COOPERATION PROGRAMS IN THIS AREA. IT IS OUR RECOLLECTION THAT DEPARTMENTS OF ENERGY AND STATE WERE IN PROCESS OF DEVELOPING PROGRAM WHICH WOULD PROVIDE TECHNICAL COOPERATION TO LDC'S ON ENERGY AND WE BELIEVE THIS MIGHT BE APPROPRIATE VEHICLE FOR JOINT PROJECTS WITH PERU IN ENERGY THAT COULD BE TO BOTH COUNTRIES' BENEFIT. WE WOULD APPRECIATE DEPARTMENTS' COMMENTS ON THIS POSSIBILITY. DECON 2/1/79. SHLAUDEMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOLD, POLICIES, PETROLEUM, EXPLOITATION (NATURAL RESOURCES)
Control Number: n/a
Copy: SINGLE
Draft Date: 02 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LIMA00970
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780051-1268
Format: TEL
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197802101/aaaadhvr.tel
Line Count: 146
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 93d2cdcc-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 LIMA A-1
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3431900
Secure: OPEN
Status: NATIVE
Subject: VICE-MINISTER OF ENERGY AND MINES COMMENTS ON GOLD, ENERGY AND NEW MINISTER
TAGS: EMIN, ENRG, PE, (SAETTONE, RICARDO)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/93d2cdcc-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014